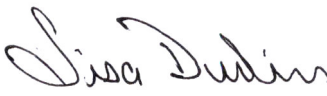
	Montana Department of Transportation	Date Issued: March 31, 2008
CONSTRUCTION MEMO		Date Effective: March 27, 2008
		Related Specifications: 104.02
Subject: Change Orders		

To: Distribution

From: Lisa Durbin, P.E., 
Construction Administration Services Engineer

This memo rescinds and replaces the construction memo issued by Mark Wissinger on May 2, 2003. The concepts described within are applicable to all contracts, but the policy is specific to contracts being managed in SiteManager.

Definitions

Change Order Checklist

The change order checklist is a document that EPMs must use on each change order. Since “discussed with” dates are no longer being placed on the change order itself, the checklist is used to document the dates and names of people contacted. It is also a checklist for the EPM to ensure that all impacts are evaluated, such as the environmental document and programming document.

Emergency Approval

Emergency Approval is the situation under which work may be performed before approval of a change order. Emergency Approval will be reserved for conditions when a delay in the work would pose immediate danger to traffic or the general public, or if not performing the work would cause a delay that would result in damage to the project or adjacent property. Unless either of these conditions is present, Emergency Approval will not be granted. The Chief Engineer, Construction Engineer or Construction Administration Services Engineer may grant emergency approval. In their absence, the District Construction Engineer may grant emergency approval.

In SiteManager, work cannot be recorded against a new contract item until the change order is approved. Emergency approval allows the contractor to proceed with the work before the change order is approved. The EPM must document the work in a DWR or Diary remark. The “Emergency Approval” indicator is checked on the change order to indicate that approval was given. The EPM is encouraged to expedite the change order review and approval processes by increasing the change order discussions.

Override Approval Rules

SiteManager has a feature to override the approval rules. There are two scenarios where this feature may be used.

- The contractor refuses to sign the change order, but the Department needs to pay the contractor for work it has performed.
- Existing contract items must be moved from one category (split) to another. This may happen when an item is being taken over and paid for by a city or county, or FHWA is not participating in the cost of the item.

The only people that can override the approval rules include the Construction Engineer and the Construction Administration Services Engineer.

Significant Change

According to Subsection 104.02.3, a significant change is defined as ANY of the following:

- The character of the change differs materially from that involved or included in the contract.
- Major items change more than 25% in quantity.
- Non-major items change more than 50% in quantity.

If any of these occur, the EPM must evaluate the situation to determine if a price adjustment is warranted, positive or negative. Factors to consider in this evaluation include the bid history of the item for the as-constructed quantities, the complexity of the work (e.g. handwork), and how many fixed costs are included in the item, such as mobilization and overhead costs.

Change Order Phases

Change Order Discussion

Change order discussions are verbal discussions with other construction personnel and subject matter experts. They are required on all change orders to determine the need for a change, a preliminary scope and cost of the change, discuss federal eligibility, and to ensure consistency of changes statewide.

The EPM should call the DCE and/or DA, district construction reviewer, FHWA on full federal-oversight contracts, and other subject matter experts to finalize the scope of the change. If the size or scope of the change is significant, the Construction Engineer and the Construction Administration Services Engineer should also be contacted. If the contract is designed by a consultant, Consultant Design should be contacted at this stage so they can determine if the change falls under errors & omissions.

Change Order Review

When a change is identified, the EPM will create a change order in SiteManager. As the scope is identified, and the items and time are negotiated with the contractor, these items are added to the change order.

When the change order information is complete, the EPM uses the “Forward To” function in SiteManager to send it out for review. The draft change order is sent to the reviewers, including Preconstruction personnel, attached to an email. SiteManager reviewers enter their comments in SiteManager. Non-SiteManager users send comments to the EPM (which is indicated on the draft change order). All personnel are encouraged to call and discuss the change with the EPM or others.

Change Order Approval

Change order reviewers have four days to send comments to the EPM on a change order. If additional information or discussion is needed, they should send an email to the EPM, with a copy to the DCE, to inform them of this so they do not start the change order approval process.

If all reviewers approve the change order or no comments are received within four days, the EPM receives an email reminder and changes the status of the change order to pending. This begins the approval process. The EPM approves the change order, prints the pending change order report and gives it to the contractor to sign. When it is returned from the contractor, the EPM enters the contractor approval in SiteManager, and the remaining individuals approve the change order. When all required electronic signatures are entered in SiteManager, the change order is approved. New work items can be recorded and paid for at that time.

Change Order Authority

The approval of the change order is dependent on the dollar value and/or amount of time adjustment. The EPM approves all change orders. The DCE has authority to approve change orders with a value up to \$50,000 or that add up to 5 days of contract time. If either of those numbers are exceeded, the change order must also be approved by the DA and the Construction Administration Services Engineer.

In SiteManager, these are known as the approval rules. As mentioned above, the only people that can override these rules are the Construction Engineer and the Construction Administration Services Engineer. If this is required, the EPM contacts one of these individuals. They change the status of the change order to pending and select the approval names. The same Department personnel are selected as the typical approval rules. The only difference is that the contractor role is omitted. When the EPM approves the change order, they add a comment in SiteManager that “The contractor refused to sign the change order.” or “Change in funding only.” whichever is applicable.

Change Order Content

Header

This contains summary information of the change order, including the reason code of the change order, the change order function (e.g. overrun), and the change order amount.

The change order status is also changed in this window.

Work Items

All changes to work items are included here, whether existing quantities are increased or decreased, or new contract items are added. The EPM must include all items associated with the change (e.g. traffic control, erosion control, etc.). This is to present an accurate total impact of the change.

If the item is new to the contract, the EPM must evaluate the price to ensure it is fair, reasonable and equitable. The EPM can request additional information from the contractor, but should evaluate it independently. One of the most useful tools is the Bid History tool in Oracle. It allows the EPM to view historical data on projects in the same district or statewide, and allows them to evaluate the price based on similar quantities. Recognize that, because the item is added by change order, it will usually cost a little more than if the item were included in the original contract.

Explanations

This is a description of the contract change. The EPM can use a standard explanation, if applicable. Multiple explanations can be entered in SiteManager, and all are displayed on the change order. So, the explanation can consist of a standard explanation and a short custom explanation to describe additional information.

“Discussion dates” will not be entered in the explanations.

Time Extension

Contract time is adjusted here, whether the contract time is in days or is a specified completion date. Time can be increased or decreased. If time is adjusted, the Time Adjustment function must be checked on the header window.

The “money formula” is no longer in the specifications. Time is a negotiated item, similar to a new contract item. The approval of additional contract time should be based on an updated schedule from the contractor.

Change Order Reasons

Change orders must be completed for the following reasons:

- A new item of work is added to the contract.
- The requirements of the contract change (e.g. a special provision is updated, a specification is deleted, the typical depth is changed, etc.).
- A price adjustment is applied to an item.
- Contract time is added or deleted.
- A major item overruns/underruns more than 25%.
- A non-major item overruns/underruns more than 999%. *
- An item overruns more than \$75,000.
- The value of miscellaneous work used on an item of work exceeds \$30,000.
- The project limits are changed.
- A change in the controlled access.
- The Notice to Proceed is changed. This does not apply to flex time contracts.

* Item overruns can create “discrepancies” in SiteManager. If the specification allowance of 50% were used in SiteManager, it would result in change orders for very small dollar amounts since price adjustments only apply to the quantity over 150%. If a non-major item overruns/underruns more than 50% but less than 999%, the EPM must evaluate it to determine whether or not a price adjustment is appropriate. If it is, a change order is required.

Change orders are not required for incentives and disincentives, including those associated with contract time, and fuel or asphalt adjustments. These are accomplished with a line item adjustment, not a reduction in quantity.

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